

Message Text

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ACTION ARA-10

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7260

INFO AMEMBASSY SEOUL

AMEMBASSY BUCHAREST

AMEMBASSY CARACAS

USEC BRUSSELS 096

C O N F I D E N T I A L LIMA 8641

E.O. 11652: GDS

TAGS: EIND, EINV, PFOR, PE

SUBJECT: MARCONA - STATUS OF HIERROPERU'S EFFORTS TO SELL
IRON ORE

REFS: A) LIMA 8596, B) LIMA 8579

1. THOMAS KEHOE, LOCAL MARCONA REPRESENTATIVE, REVIEWED STATUS OF GOP EFFORTS TO SELL IRON ORE FROM THE NATIONALIZED MARCONA MINE (NOW HIERROPERU) WITH EMBASSY OFFICERS ON OCTOBER 17. TO DATE, KEHOE SAID, HIS INFORMATION LEADS HIM TO CONCLUDE THAT NO IRON ORE HAS YET BEEN SHIPPED FROM MINE SITE TO FOREIGN PURCHASERS. COUNTRY BREAKDOWN FOLLOWS:

A. VENEZUELA - GOV IS VERY INTERESTED IN BUYING PELLETS BUT NO AGREEMENT HAS YET BEEN FINALIZED. ACCORDING TO KEHOE, HIERROPERU'S PRESIDENT BOSSIO HAS OFFERED A PRICE OF \$14 A TON. KEHOE EXPLAINED THAT IF THE GOP IS UNABLE TO SELL ANY ORE AT THIS PRICE, IT MIGHT REDUCE THE PRICE SUBSTANTIALLY TO ATTRACT OTHERWISE RELUCTANT CUSTOMERS. HOWEVER, THE VENEZUELANAS ARE CONCERNED THAT IF THE GOP SHOULD DECIDE TO DUMP ITS ORE, INCLUDING PELLETS, THIS COULD HAVE
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DEPRESSING EFFECT ON WORLD MARKET PRICE, INCLUDING CINTER FEED.

(VENEZUELA APPARENTLY PRODUCES MORE CINTER FEED THAN PERU.) THUS, ACCORDING TO FOREGOING ANALYSIS, VENEZUELANS WOULD BE WILLING TO PURCHASE PELLETS AT A HIGHER PRICE TO PROTECT THEIR MARKET.

B. ROMANIA - THE ROMANIANS HAVE SIGNED AN AGREEMENT TO PURCHASE 25,000 TONS OF ORE. ORE WOULD BE SHIPPED ON ROMANIAN VESSELS. NO ORE HAS BEEN SHIPPED YET, AND THIS DEAL MAY INVOLVE OTHER ROMANIAN INTERESTS IN PERU, INCLUDING PERUVIAN PURCHASE OF ROMANIAN-BUILT RAILROAD CARS.

C. CANADA - KEHOE CONFIRMED THAT PICKANDS-MATHER HAS EXPRESSED INTEREST IN PURCHASING PELLETS FOR ITS CANADIAN SUBSIDIARY.

D. SOUTH KOREA - KEHOE ALSO SAID THAT THE ROK HAD DISCUSSED PURCHASES WITH HIERROPERU BUT DID NOT KNOW IF ANY AGREEMENT HAS BEEN REACHED.

E. WESTERN EUROPEANS - KEHOE SAID THAT HIERROPERU MANAGEMENT IS CONSIDERING SENDING A REPRESENTATIVE TO LONDON NEXT WEEK TO SOUND OUT BRITISH (AND POSSIBLY OTHER WESTERN EUROPEANS) ON POSSIBLE PURCHASES. (SEE SEPTEL ON ALLEGED EC INTEREST IN PURCHASING ORE.)

2. SPARE PARTS - KEHOE SAID THAT HIERROPERU'S MANAGEMENT WISHES TO BUY SPARE PARTS FROM THE MINE FROM A NEW ORLEANS CONCERN, BUT HAS REFUSED TO DEAL DIRECTLY THROUGH MARCONA AND PREFERS, AT HIGHER COST, TO GO THROUGH A THIRD PARTY. IN THIS REGARD, SPARE PARTS PURCHASES HAVE ALSO BEEN HELD UP BECAUSE OF FAILURE OF HIERROPERU TO SIGN NECESSARY LETTERS OF CREDIT, WHICH MAY BE INDICATION OF LACK OF READY CASH TO MAKE SUCH PURCHASES.

3. STATUS OF MINE - MINE HAS NOW STOCKPILED TWO MILLION TONS OF ORE. BECAUSE OF THE ABNORMAL WEIGHT OF THE STOCKPILE, SOME PORTION OF THE PELLETS MAY BE DAMAGED AND UNUSABLE, AND THE PERCENTAGE OF FINES GREATLY INCREASED.
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